

the sales tax. Okay. So then when you see the exception underlined in paragraph L, what you are really looking at is an exception to the exemption. So, the State of Nebraska is exempted from paying sales tax, we are exempted from paying it. But then you go back and you look at the exception, and the exception is that we are putting...

SENATOR HIGGINS: We are putting it back in.

SENATOR V. JOHNSON: Yes, that is right. The state is not exempted for purchases for use when the state is in the business, for example, of furnishing gas, water, electricity, or heat, which the state is not in, but some municipalities are, and that is a proprietary activity, and those proprietary activities should pay the sales tax.

SENATOR HIGGINS: Senator, do you why whoever drafted this bill would have put the state in there, and then taken them out? I mean is that good law?

SENATOR V. JOHNSON: No, the state has been, in effect, the state has been exempted from remitting the sales tax since the beginning of the sales tax law, since 1967, so the original drafts people are responsible for this kind of language. But if you look at it very careful, you see what the language was. Look at it carefully, Senator Higgins. Exempted from the sales tax were purchases by the state for use in a governmental capacity, okay?

SENATOR HIGGINS: Yes.

SENATOR V. JOHNSON: So, purchases by the state when not used in a governmental capacity, that is a proprietary capacity,...

SPEAKER BARRETT: One minute.

SENATOR V. JOHNSON: ...were always not exempt from the sales tax. We always had to pay the sales tax on proprietary purchases. Now, the language is being changed a bit to make it extraordinarily clear as to what is exempt and what is not exempt.

SENATOR HIGGINS: And utilities are not exempt, is that right?

SENATOR V. JOHNSON: That is essentially correct.